

Connecticut General Assembly
Environment Committee
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Written Testimony

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Representatives Roy and Chapin, Senators Meyer and McKinney, and members of the Environment Committee, thank you for allowing me the opportunity to submit written testimony regarding Senate Bill 661, Senate Bill 662, and House Bill 5474.

About IBWA

The International Bottled Water Association (IBWA) is the trade association representing all segments of the bottled water industry, including spring, artesian, mineral, sparkling, well, groundwater and purified bottled waters. IBWA represents bottled water bottlers, distributors and suppliers throughout the United States, including several small, medium and large size companies doing business in Connecticut.

IBWA Opposes SB 661 and SB 662

IBWA respectfully opposes SB 661 and SB 662 sitting before this Committee and which would expand Connecticut's mandatory deposit program to include bottled water.

Open Distribution System

A major concern IBWA has with bottle deposits for the bottled water industry is our industry's distribution system. Most beer and soft drink manufacturers, whose products are already covered under Connecticut's existing mandatory deposit program, operate under a closed, two-way distribution system within exclusive franchise territories. This is commonly referred to as a Direct Store Delivery (DSD) system under which one distributor or manufacturer typically handles all product brands for a specified area of the state. The manufacturer has a direct relationship with their distributor or retailer, who has a direct relationship with every retail outlet in their exclusive territory. DSD distributors and manufacturers are able to track where their beverage containers are sold. Since distributors have exclusive relationships with the beverage manufacturers and the retail outlets, the two-way process of initiation of deposits and retrieval of empty beverage containers is possible.

Conversely, bottled water manufacturers generally operate under an open, one-way distribution system. There are no exclusive territories, and bottled water manufacturers do not have one distributor for their products. They may sell directly to food wholesalers, drug wholesalers, chain retail stores, distributors of other products and services, and directly to consumers as well. Geographic areas or brands of products do not define these distribution channels. Whether it is the bottled water manufacturer or the distributor or the retailer who initiates the deposit, expansion of Connecticut's existing mandatory deposit program to include bottled water under an open distribution system will cause a significant burden to the bottled water manufacturer, regardless of the state in which that bottled water manufacturer resides.

For example, a bottled water manufacturer in Massachusetts could sell product to a food wholesaler in New York, who then services hundreds of different retail outlets in the Northeast, including many in Connecticut. Within the open distribution system, the bottled water manufacturer in Massachusetts has no way of knowing which products the New York food wholesaler sells to Connecticut stores and which products the wholesaler sells to stores in other surrounding states. Since the Massachusetts bottler has no way of knowing which stores received its product, initiation of the deposit is unworkable. In addition, collection of empties will not be possible because the bottler has no relationship with the retail outlets that ultimately received its product. This complicated but very real example can equally apply to a Connecticut-based bottled water manufacturer selling product to food wholesaler's and chain store distribution centers in Connecticut and throughout the Northeast.

Home and Office Delivery

Some Connecticut bottled water manufacturers that service only home and office delivery (HOD) accounts may also be covered by expansion of Connecticut's mandatory deposit program to include bottled water. In addition to the customary five and three gallon reusable water bottles, many HOD bottlers bundle and deliver multiple-sized containers to meet their customer's water needs, including small package water bottles which are not reusable. HOD bottled water manufacturers or distributors engaged in the retail sale of bottled water will have to collect a deposit for these small pack containers if they are not able to enjoy the small-business exemption currently written into SB 661 and SB 662. Customers that want their deposit returned would have to store empty containers in their home or office until the bottler delivers the next supply, or transport the empties to a redemption center themselves. HOD products are not sold in retail stores. If a retailer chooses to honor redemption of empty HOD containers to maintain customer loyalty, the retailer may not get reimbursed for those containers because they have no business relationship with the HOD bottler. Or that retailer would have to track down the HOD bottler and request them to pick up the empty containers. The easiest option for the HOD customer who purchases smaller non-reusable bottled water containers is to place those containers into a curbside bin for routine pick-up.

Harm to Small Businesses

These are just a couple examples of the wide channels within the bottled water industry's open distribution system, and the complications that arise in attempting to comply with bottle deposits that include bottle water. Within the open distribution system, the bottled water industry routinely deals with non-traditional outlets that have never been in the business of collecting and honoring deposits or storing empty containers. The open system of distribution is too extensive for a seamless mandatory deposit program, and the added costs for the bottled water industry to implement and comply with a mandatory deposit program will also be extensive. These added costs will force Connecticut bottled water manufacturers to raise their prices, and in particular will make some Connecticut water bottlers far less competitive in the marketplace to those larger companies that also sell carbonated soft drinks within the current system. Depending on the deposit and handling fee amounts, we have estimated that the price of a case of bottled water in Connecticut could rise anywhere from 30-50% if covered under the state's mandatory deposit program. Smaller Connecticut bottlers fear the loss of retail customers to those larger companies who already have the ability to manage Connecticut's mandatory deposit program cheaper as retailers adjust to the influx of new containers into their stores. Retailers may also limit the number of brands they carry to products from companies already participating in the mandatory deposit program. This may result in reductions in choices of brands available to consumers, and at a higher price. All these factors could easily increase out-of-state cross-border sales of bottled water, as well as redemption of water bottles in Connecticut that were not originally purchased in the state.

Fraud and Over-Redemption

An expanded mandatory deposit program that includes bottled water will also result in significant over-redemption of bottled water containers from several of Connecticut's bordering states which do not currently have mandatory deposits on bottled water and which currently house some of the largest bottled water markets in the U.S. In Maine, for example, there is significant over-redemption from bordering states, causing more containers to be redeemed in that state than are sold there. One bottled water company operating in Maine recently indicated an over-redemption rate of over 130% and which cost that company approximately \$2 million over two years. For bottlers, there is no distinction on a product's label for product sold in Connecticut versus product that is sold in a surrounding state, and Connecticut's mandatory deposit program does not adequately address the very real problem of fraudulent over-redemption. And criminalizing boot leg bottle redemption does nothing to address the financial hardship such over-redemption will place on bottlers and distributors. Fraudulent over-redemption will further drive up Connecticut bottled water manufacturers' costs, which will ultimately lead to increased prices for consumers.

Bottled Water for Emergency Purposes

Connecticut is of course not immune to fires, floods, hurricanes and compromised water systems, and the bottled water industry is always there to donate or sell bottled water as needed during those difficult times. IBWA is concerned that neither SB 661 or SB 662 currently take this into consideration, and we believe there should be flexibility within the state's bottle deposit program to suspend collection of the deposit on bottled water for emergency purposes. It seems unfair to charge a nickel on donated product or product that is needed when safe and clean drinking water is otherwise not available.

Implementation

Finally, IBWA is very concerned about the effective date of October 1, 2009, proposed in both SB 661 and SB 662. It would be next to impossible for bottled water manufacturers operating in the open distribution system to adequately prepare for an entirely new way of doing business by that date. Label changes alone can take six to ten months for a domestic manufacturer to implement, and even longer than that for a foreign manufacturer. And neither bill provides any flexibility for bottled water product that will have already made their way into the marketplace before label changes have been implemented and which may not have sold thru by October 1, 2009. Normal stock rotations at retail for bottled water are on a two year cycle. This means that if bottlers began labeling product today, it would take until February of 2011 to be certain that all products without the appropriate label would be off store shelves.

IBWA Supports HB 5474

IBWA supports proposed HB 5474 sitting before this Committee and which would further encourage recycling within the state, including at curbside. We believe in comprehensive, multi-industry approaches to recycling and solid waste management, rather than targeting a small segment of the food industry for deposits on containers. IBWA's policy on recycling is as follows:

The International Bottled Water Association (IBWA) is dedicated to the comprehensive management of bottled water packaging to provide the highest quality, cost effective and environmentally responsible containers possible. IBWA and its members approach packaging issues in a manner emphasizing the most effective and efficient solutions to reduce the strain on the environment while taking

into account the equal responsibility of all solid waste generators. Consideration must also be given to behavioral solutions, such as public education and enforcement of existing recycling and litter control laws.

IBWA and its members constantly demonstrate support of and action on this policy. Bottled water containers are upwards of 40% lighter than they were 10 years ago, and are 100% recyclable. The bottled water industry has also gone to great lengths to reduce the environmental impact of its packaging in other ways, including reduction of plastic used in caps and shrink-wrapping, and reduction of paper used in labels and shipping cardboard. Furthermore, the bottled water industry is continually developing additional ways to reduce its environmental footprint from production to distribution to consumption. This includes development of "green" bottling facilities, as well as utilization of more fuel efficient means of producing and transporting product to market.

IBWA and its members are fully cognizant that with the great success the bottled water industry, visibility of plastic water bottles in the waste stream has been elevated. IBWA and its members know that recycling plays a critical role in reducing waste and lessening the impact of global warming, and are playing a major positive role in helping to develop new comprehensive solutions to managing solid waste throughout the U.S. This includes including major investments of time and resources into such groups as the National Recycling Partnership and its Hartford pilot project, as well as numerous other state and local recycling initiatives. These efforts are good for the environment, and good for business.

The curbside recycling concepts briefly outlined in proposed HB 5474 support the goals of IBWA and its members to develop comprehensive solutions to manage solid waste. Curbside recycling programs in which residents can put all their recyclables into bins for collection at their curbs is a very smart choice for Connecticut. It's clean and convenient for consumers, and it's green for the environment because it will dramatically increase recycling rates. It's also great for cities and towns because it lowers collection costs and tipping fees, while simultaneously increasing revenues.

Connecticut's mandatory deposit program currently addresses an extremely small percentage of the state's entire waste stream, and adding bottled water containers into the mix via SB 661 or SB 662 will only address another one-third of one percent (0.33%) of that same waste stream. Connecticut's mandatory deposit program also hurts existing curbside recycling programs by removing from those programs valuable supply material that has a high demand in scrap markets, such as aluminum cans and PET and HDPE plastic bottles. This reduces the overall revenues to cities and towns for their curbside recycling programs, which can actually lead to failure of their curbside recycling programs. The curbside recycling concepts outlined briefly in proposed HB 5474 will be much more successful if more recyclables are available to fuel their success. This will lead to even more recycling for all products, and at a lower cost to Connecticut's citizens, towns and environment.

Conclusion

IBWA fully shares this Committee's desire to increase recycling in Connecticut and thereby keep this great state clean and sustainable. Our Connecticut members have an incredibly rich history here and are deeply committed to environmental stewardship through comprehensive recycling. In the end, taking a serious and long-term look at Connecticut's entire waste stream, rather than focusing on the minuscule segment of the waste stream that bottled water containers make up, will serve everyone very well.

Thank you for your consideration of IBWA's opposition to SB 661 and SB 662, and our support of HB 5474.

Open Distribution System Connecticut Bottling Plant



Bottling Plant



Food Wholesaler



Chain Distribution Center



Chain Grocery Store



Independent Grocery Store

